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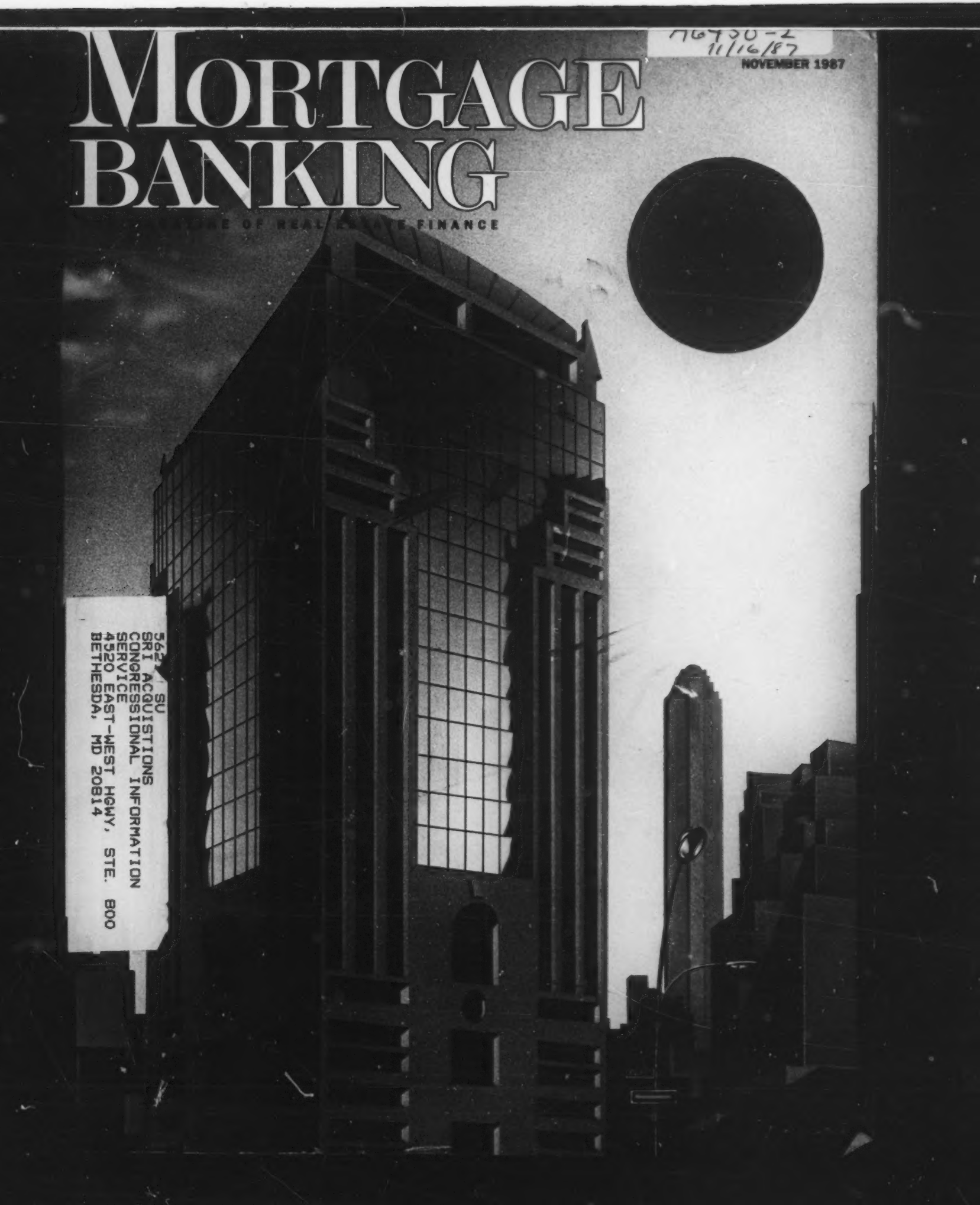

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EDITORIAL PAGE

THE COVER

The Japanese rising sun is shining brightly on commercial real estate in the United States, particularly first-class office buildings as depicted on this month's cover. This year may well be remembered as the year the Japanese invaded the U.S. real estate market. Investors from the Pacific Rim invested close to $3 billion in real estate last year and are expected to double their efforts this year. The impact of this foreign infiltration into income property is highlighted in "Japanese Investors Yen for Commercial Real Estate: A New Avenue for Commecial MBS?" on page 42 and "Commercial Real Estate Finance: How Will the Deep Pockets Invest?" on page 55.

LaDonna Hale Curzon
Assistant Editor

THE ARTIST

The acrylic airbrush illustration on this month's cover was the work of Byron Peck, who specializes in trompe l'oeil work. His work has been published in numerous publications including *Psychology Today, The Washington Post* and *The Washingtonian* magazine. He works out of his studio in Washington, D.C. and has been involved in several exhibitions in New York and Washington.

AND NEXT ISSUE

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Presidential Candidates Speak Out on Housing Issues

Key Congressional Staff Members Answer Housing Questions

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The inability to meet low-income housing needs is not a problem of resources; it is primarily a political problem. An examination of the obstacles to low-income housing is required if a consensus is to be developed and the problem faced.

Achieving a Consensus

THE POLITICS OF LOW-INCOME HOUSING

Cushing N. Dolbeare

Consensus is rare indeed in housing circles, but the growing low-income housing crisis, most visibly expressed in the dramatically increasing number of homeless families; massive cutbacks in federal support for additional low- income housing; and continuing increases in actual expenditures for housing assistance has led to general accord that new approaches are in order. The Senate Housing Subcommittee, under the leadership of Senator Alan Cranston, is actively seeking to create a new consensus on the outlines of major housing legislation to be introduced next year.

Achieving consensus on what should be done requires reaching agreement on the nature and extent of the problem, on the appropriate role of the federal government, and on the scale and scope of measures required to realize the promise of decent, affordable housing for the millions of people who now find it beyond their grasp.

Analysis of housing needs in this country suggests two basic roles for the federal government. The first is to create an institutional framework to enhance the private sector's capacity to provide and finance housing. Carrying out this role effectively can both add to and improve the housing stock and expand the number of people who can afford it. However, perhaps half of all renter households,[1] plus a substantial number of owners, do not have the means to obtain decent housing under current or foreseeable market conditions. The second major federal role, and the focus of this analysis, is to furnish the assistance necessary to enable them[2] to obtain decent housing.

There is simply no way that the private sector, unaided, can meet the minimum housing needs of people whose incomes are below or near the poverty level. Indeed, utility and other operating costs have long been so high that a substantial number of poor households in this country find that these costs alone are more than they can afford, even if their housing were provided free of charge.[3] Moreover, the states and localities with the highest numbers of poor people are generally those least able to bear the substantial costs involved in providing access to decent, affordable housing. The solution to what has become a low-income housing crisis, therefore, will require federal funds, and the creation of more effective and responsive federal housing programs.

Approaching this task requires, first of all, realism. Here, however, the realism of what is required to provide all low-income people with access to decent, affordable housing conflicts with the realism of our present politico-eco-

nomic situation: the deficit and the constraints of the Gramm/Rudman Act and the budget process on the one hand, and the cost of meeting low-income housing needs on the other, make it unrealistic at this time to expect federal support on the scale necessary. These constraints cannot be overcome without a sound overall program, developed with an awareness of the factors that have in the past made it so difficult to obtain support for low-income housing programs.

Understanding present needs and trends is basic to framing new housing programs. Here, it is important to distinguish between housing inconveniences (housing of the "right" size, location, or cost is not available, but the family can meet its minimum housing requirements without sacrificing other basic necessities) and housing needs (the inability to obtain any housing that meets minimum standards of decency without sacrificing other necessities). Given the limitations on resources available for housing, there should be clear consensus that federal housing assistance programs should focus on needs, not inconveniences.

In 1982, President Reagan's Commission on Housing made a careful, though conservative, estimate of housing need. The Commission found that in 1980 there were about 20 million households with incomes below 50 percent of median. Half were renters. One quarter of these renters lived in subsidized housing.[4] Almost all the rest live in housing that was substandard or unaffordable, or both. Subtracting the 2.5 million very low-income households in subsidized housing from the 10 million total leaves 7.5 million households still needing assistance. In other words, after more than 40 years of federal low-income housing programs, for each very low-income household living in subsidized housing, there were three others who needed it, but for whom it did not exist.

The Bureau of the Census recently released estimates of the number of low-income renters in 1985. Using the current standard that rents, including utilities, should not exceed 30 percent of income, there were 4.2 million renter households unable to afford more than $125 per month for gross rent and another 5.8 million with an affordable gross rent range of $125-$250. This is almost one-third (31 percent) of all renter households in the U.S. Only 40 percent of all renter households could afford rents of $500 monthly or more.[5]

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At current levels, it will take 75 years or more to meet the low-income housing need estimated by the Reagan Administration's Housing Commission in 1982.

Ironically, although the years since 1970 have seen the amount of occupied subsidized housing more than quadruple, from 1 million units to more than 4 million currently, the problem is far worse now than it was then. In the first place, a substantial number of the subsidized units were intended for moderate-income households, not those at the bottom of the income scale. More important, except for subsidized housing, affordable units have disappeared for people with incomes below $5,000 (who can afford less than $125 for rent and utilities).

Between 1970 and 1983,[6] the number of units renting for less than $125 per month dropped from 14.9 million to 2.0 million, while the number of renter households with incomes below $5[illegible]pped from 8.4 million to 5.5 [illegible]her words, we lost affordable units at the rate of a million a year from the inventory, roughly four times the reduction in these very low-income households. As a result, the overall ratio of households to affordable units was reversed: in 1970, there had been two affordable units somewhere in the nation's housing stock for each household with an income below $5,000; by 1983, there were two households for each affordable unit.[7]

Compensating for the impact of inflation by recalculating the changes in constant 1983 dollars changes the numbers, but not the reality of the constantly worsening low-income housing crisis. This calculation shows that between 1970 and 1983 the number of households with incomes under $5,000 grew by 125,000 units annually, while the number of units renting for less than $125 dropped by 125,000 units annually. (See graph 1)

Clearly, the prospects of very poor people obtaining satisfactory housing are dimmer than ever, and will remain so until additional housing assistance is provided.

For years, efforts to improve low-income housing programs have been crippled by a myth: the public perception that for decades the federal government has poured huge resources into massive low-income housing programs, and the problem is that these programs have not worked and that housers do not know how to cope. This myth is the major political obstacle to decent housing. The facts are that, even with the faults of past

efforts to deal with low-income housing, if huge resources had been provided, we would not face the situation we are in today. Instead, outlays for federal housing assistance have generally been 1 percent or less of the total federal budget. It was not until 1984 that they reached the 1 percent level.[8] Indeed, all federal spending for all the subsidized housing payments HUD and its predecessor agencies have made from the occupancy of the first public housing developments in the late 1930s through fiscal 1986,[9] including operating subsidies for public housing, totalled $86 billion, $3 billion less than housing-related tax expenditures in 1985 and 1986 alone.

Despite a series of cutbacks under the Carter Administration from the level of additional assisted housing units provided under the Ford Administration, more than $30 billion in budget authority for the Department of Housing and Urban Development (HUD)-subsidized low-income housing had been appropriated by Congress for fiscal 1981, when President Reagan took office. That was estimated to support an additional 250,000 low-rent units. Moreover, more than half (55 percent) were new or substantially rehabilitated units, thus adding to the nation's stock of needed rental housing.

Since then, we have seen a dramatic reduction of the budget authority available for expanding low-income housing efforts, a doubling of outlays as additional units, many of them committed in prior years, became available, and an increase in housing-related tax expenditures as great as total outlays for housing assistance.[10]

Moreover, these figures do not show the shift from subsidizing units, which remain part of low-income stock, to subsidizing households in a finders-keepers system, which does not add to the stock of permanently affordable housing, although it permits more households to be assisted in the short run with a given amount of funds.

This pattern of change has further skewed the already regressive distribution of federal housing subsidies, including tax expenditures, away from meeting housing needs and toward alleviating housing inconveniences. Significantly, three quarters of housing-related tax expenditures go to people in the top 15 percent of the income distribution. If housing assistance for low-income people were increased by half this amount, it would make it possible to fund a comprehensive program of housing allowances and housing preservation, rehabilitation and construction efforts.

Clearly, our inability to meet low-income housing needs is not a problem of resources. Instead, it is primarily a political problem. Therefore, it is unrealistic to expect to develop a consensus on dealing with low-income housing without examining and dealing with, or compensating for, the political obstacles to decent housing.

These obstacles fall into three major categories: external factors and constraints; problems that arise from the nature of low-income housing programs themselves; and problems of building a politically effective constituency for low-income housing.

Three major external factors and constraints affect housing and other low-income programs. They are political demographics, the federal budget process and the way housing commitments are counted in this process, and the relative powerlessness of

CHART 1

	1970	1983	Change
Households	3.9	5.5	1.6
Units	5.6	3.5	−1.6
Gap/surplus	1.2	−2.0	−3.2

GRAPH 1

Renters and Units at 30% of Income
In 1983 Constant Dollars

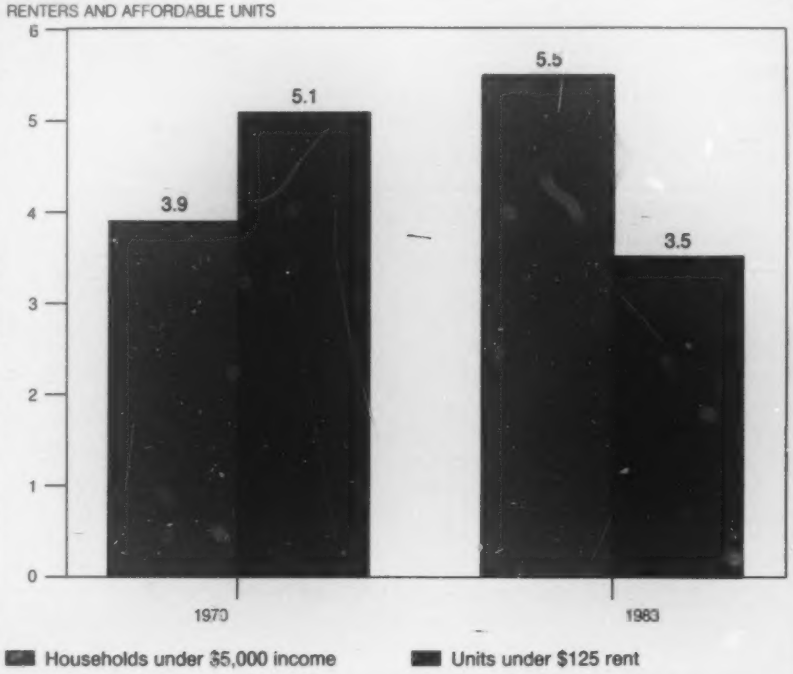

CHART 2

Year	Units (thousands)			Federal spending (billions)		
	HUD	FmHA	All	BA	Outlays	Tax exps
1981	217	104	321	30.2	5.7	33.3
1982	36	95	131	17.7	6.7	36.6
1983	−5	82	77	8.7	7.8	35.4
1984	75	77	152	9.9	8.8	37.9
1985	89	73	162	10.8	10.0	40.6
1986	83	54	137	9.7	10.0	48.5
1987	69	86	155	7.3	9.5	42.6

poor and minority people in this country.

Of these, the problem of political demographics may be hardest to overcome. A majority of Congress represent areas where low-income problems are not a major issue—and where the major housing concern of their constituents is generally how to keep other people out, particularly low-income and minority people. Thus, asking Members of Congress to vote for low-income housing is often asking them to vote against their own political interests. Indeed, there is much evidence that most Members of Congress are well ahead of what they hear from their constituents on low-income housing issues, though few are willing or able to do more than quietly cast their votes.

The combination of the congressional budget process, the way housing authorizations are counted in the federal budget (the maximum possible subsidy times the number of years of the subsidy commitment), and, finally Gramm-Rudman and the press of the deficit severely limits the possibility of major expansions in federal spending, even if the 1988 election brings about a dramatic change in the political philosophy of the administration. It is simply unrealistic to expect that we will soon again achieve the level of long-term low-income housing commitments made less than a decade ago. Major attention must, therefore, be given both to finding more affordable ways of making housing affordable for low-income people and to making the reasons for high program costs understandable and compelling.

The nature of housing programs also constitutes a major political obstacle. All too often, low-income housing has been perceived as something done to a community, not for it. Housing programs have not been regarded as responsive to neighborhood and community needs—often correctly so. Moreover, the gradual evolution of housing programs toward greater responsiveness has not been widely noted. Furthermore, even though many community groups have sought housing or community development funds for rehabilitation or housing improvement, the intensity of neighborhood opposition to low-income housing is almost always much higher than the intensity of advocacy.

Perhaps worse, it is in the nature of housing that our failures remain with us (unless, like Pruitt-Igoe in St. Louis, they are blown up), while our successes disappear into the fabric of the surrounding community. So, it is the failures and problems that people notice and remember. Moreover, it may take years for program changes and reforms to become visible. For example, high-rise public housing, except for the elderly, was prohibited in 1968, but for much of the ensuing decade projects which entered the pipeline before the law was passed were still being built and occupied.

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The nature of housing programs also constitutes a major political obstacle. All too often, low-income housing has been perceived as something done to a community, not for it.

In addition, many low-income housing programs do not make sense to non-housers. They are hard to understand and even when they are understood, they seem unreasonable. Most housing programs do not even have names, but, like Section 8, are numbers. That may be fine for those who know the jargon, but it hardly creates understanding.

Finally, there is a longstanding reluctance to face the cost implications of an adequate low-income housing program. Housers frequently seem to proceed from the premise that hidden costs are the best kind. As these costs have become visible, the credibility of housing program advocates has been undermined. Members of Congress and others familiar with the process have come to assume that any housing proposal will cost several times as much as its proponents assert. Surely, people with incomes at or above the median who are struggling with their housing inconveniences can comprehend the need for assistance for people with only a fraction of their resources if it is explained carefully and the programs proposed appear to make sense.

A strong, articulate constituency supporting low-income housing could overcome many of the foregoing obstacles. But prior to the establishment of the National Low-Income Housing Coalition (NLIHC) in the mid-1970s, there was a generation-long lack of an organized consumer and public-interest-based housing constituency. Although the coalition has helped substantially to fill this void, the housing "constituency" is often perceived on Capitol Hill as those who produce, finance or administer housing programs, not low-income people or advocates. Moreover, this is not an inaccurate perception of many housing groups. Several factors have prevented the growth of a powerful base of support for low-income housing efforts:

- Resources have not been available to service the constituency for housing that does exist or to represent it on Capitol Hill. The National Low-Income Housing Coalition, for example, though founded more than a decade ago, has not until this year had the wherewithal to place a fulltime lobbyist on its staff. Thus, while

Ironically, although the years since 1970 have seen the amount of occupied subsidized housing more than quadruple, from 1 million units to more than 4 million currently, the problem is far worse now than it was then.

NLIHC's credibility and leadership on low-income housing issues are widely respected, its impact has been severely limited.

- By and large middle class people do not recognize the extent to which they have received federal support and subsidies themselves, in the form of federal mortgage insurance and homeowner tax deductions, and they often feel threatened by low-income housing. The availability of Federal Housing Administration (FHA) and Veterans Administration (VA) insurance, plus the growth of auto transportation made possible the suburban expansion which followed World War II, thus creating many of the problems of the urban core, with poor and minority people left behind and increasingly cut off from education and employment opportunities. Meanwhile, suburbanites looked back to see that "old neighborhoods"—theirs or their parents—had become black or Hispanic, and feared the same pattern would be repeated where they now lived if low-income housing were permitted.
- Housing needs (other than homelessness) are not visible to most people in the course of their daily lives. Slums are someone else's problem if you do not live there. Few people, even housing advocates, realize the extent to which low-income housing needs are growing. Few realize that low-income housing assistance has never been sufficient to meet a reasonable definition of need. Few realize that growing homelessness is not primarily the result of the Reagan budget cuts. We would still face the problem, though less intensely, even had the production levels of the Ford or Carter years been continued.
- There is no single "housing problem"; rather, housing needs are specific and diverse. For example, those of elderly people hanging on to a house that they can no longer afford to heat or maintain are far different from those of a family with several children living in a small, overcrowded apartment. Thus, the constituency for housing cannot be based on appeals to immediate self-interest of poorly housed people.
- Overwhelmingly, people either have relatively decent housing, or have little hope of getting it. Any housing proposals likely to be seriously entertained by either Congress or a sympathetic administration cannot promise much in relation to need in the short run: contrast 100,000 (or even 400,000 or 600,000 units) with needs of 7.5 to 15 million units. At current levels, it will take 75 years or more to meet the low income housing need estimated by the Reagan Administration's Housing Commission in 1982. What political realist can get excited about that prospect?

Despite these obstacles, as inclusion of a low-income tax credit in last year's tax reform act and the failure of the Reagan Administration to achieve more than about half the cuts it has requested in low-income housing programs show, there is a core of support for low-income housing in the Congress. This provides a basis for future efforts.

Three basic principles should undergird these efforts:

- Focus on meeting the greatest needs first—lowest income, large households and minorities.
- Add to the low-income supply through the "social" sector (that is,

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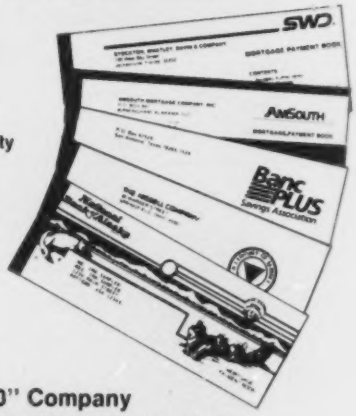

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public or non-profit ownership, preferably community-based, including joint ventures), leaving moderate-, middle-, and upper-income housing to the for-profit sector. Ideally, some 750,000 units annually should be added to the stock of low-income housing through acquisition, rehabilitation or construction. But, because capacity development is still a problem, a program that gave real priority to the "social sector" would probably fit within presently anticipated budget constraints.

- Move toward providing income-based assistance to all who need it to obtain decent, affordable housing an entitlement. At least 8 million additional renter households need help, which requires a threefold increase in households receiving assistance. An alternative to approaching income-based assistance as a housing program, as is now done with vouchers and the Section 8 existing program, such aid might be linked to welfare reform efforts, so long as minimum housing standards are met.

If consensus can be reached around these principles, both the design of new housing programs and the improvement of existing programs will be considerably eased. Casting these programs in a way which will combine the necessary federal financial support with maximum responsiveness to consumers and to local housing needs will provide the ingredients to overcome many of the past political obstacles to housing assistance. Most of the others can be dealt with through broader public knowledge of the largely overlooked dimensions of low-income housing needs, of the progress which has been made over the years in developing more responsive approaches, and of the extent to which middle and upper income people are already receiving housing assistance, through homeowner deductions.

It is important that mortgage bankers concern themselves not only with the role of the federal government in establishing the ground rules under which the private sector operates, but that they also assist in the process of developing the kind of consensus and support that will be necessary to achieve the national housing goal of "a decent home and a suitable living environment for every American family" enacted in 1949, but still too far from reality. □

[1]Estimates based on 1983 *Annual Housing Survey* data show that 43 percent of all renter households in the U.S. had incomes below 50 percent of median, adjusted for household size and two-thirds had incomes below the 80 percent of median standard often used to assess housing need.
[2]The appropriate definition of "low-income" is, of course, controversial. In the housing context, it should be defined operationally as the level of income below which the private sector cannot provide decent housing at a reasonable rate of return. The standard here should be based on costs in the existing stock if it is adequate or can be made so, or in new construction if acceptably located existing housing is unavailable. The most serious low-income housing problems are, of course, suffered by those with lowest incomes, by large families and by minorities.
[3]That is, even if the structure itself were rent or mortgage-free, the household would be unable to pay utilities, maintenance, etc.
[4]This includes all forms of direct federal subsidy, whether tenant-based (such as housing allowances) or unit-based.
[5]Data calculated from information in U.S. Bureau of the Census, Current Population Reports, Series P-60, No. 155, *Receipt of Selected Non-cash Benefits: 1985*, Table 1.
[6]The *1983 Annual Housing Study* provides the most recent available data on number of units, by gross rent, for the United States. The number of subsidized housing units trebled between 1970 and 1983, rising to about three million.
[7]This analysis grossly understates the severity of the problem by ignoring the critical factors of quality, availability and location.
[8]This is the subsidized housing subfunction of the federal budget, as calculated by the Office of Management and Budget.
[9]The latest year for which data are available.
[10]1980-86 figures are actual figures from OMB and HUD budget submissions; 1987 figures are official estimates from the same source.

Cushing N. Dolbeare is a consultant on housing and public policy in Washington, D.C. She was president of the National Low-Income Housing Coalition from 1979 to 1984. She testifies frequently on housing needs and pending legislation before House and Senate Committees.

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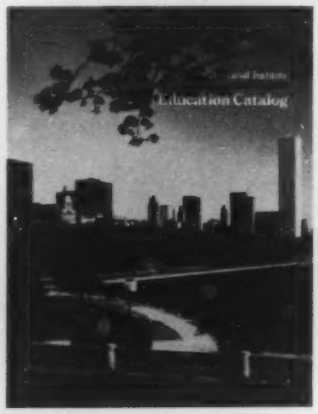

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HOUSING ACTIVITY

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

YEAR AND MONTH	HOUSING STARTS: Actual Total	Actual 1-4 Units	Actual 5+ Units	Seasonally Adjusted Annual Rates Total	Seasonally Adjusted Annual Rates 1-4 Units	Seasonally Adjusted Annual Rates 5+ Units	PERMITS 17,000 ISSUING PLACES: Actual Total	Actual 1-4 Units	Actual 5+ Units	Seasonally Adjusted Annual Rates Total	Seasonally Adjusted Annual Rates 1-4 Units	Seasonally Adjusted Annual Rates 5+ Units
1987												
MAR	141	107	34	1,730	1,296	434	150	109	41	1,719	1,244	475
APR	159	124	35	1,643	1,275	368	157	117	40	1,598	1,152	446
MAY	158	120	38	1,606	1,197	409	136	104	32	1,493	1,100	393
JUN	165	123	42	1,586	1,173	413	156	118	38	1,517	1,124	393
JUL	154	119	35	1,606	1,212	394	141	104	37	1,487	1,080	407
AUG$_p$	**144**	**106**	**38**	**1,582**	**1,160**	**422**	**127**	**94**	**33**	**1,486**	**1,088**	**398**
1986 TOTAL	1,805	1,262	543				1,769	1,185	584			
1985 TOTAL	1,742	1,166	576				1,733	1,077	657			
8 MONTHS												
1987	1,127	850	277				1,075	794	281			
1986	1,268	885	383				1,222	823	399			
1985	1,176	805	371				1,161	744	417			
1984	1,224	844	380				1,183	762	421			

RESIDENTIAL STRUCTURES BY REGION

(Units in thousands)

YEAR AND MONTH	STARTS: Actual North East	Actual Mid-West	Actual South	Actual West	Seasonally Adjusted Annual Rates North East	Seasonally Adjusted Annual Rates Mid-West	Seasonally Adjusted Annual Rates South	Seasonally Adjusted Annual Rates West	PERMITS 17,000 ISSUING PLACES: Actual North East	Actual Mid-West	Actual South	Actual West	Seasonally Adjusted Annual Rates North East	Seasonally Adjusted Annual Rates Mid-West	Seasonally Adjusted Annual Rates South	Seasonally Adjusted Annual Rates West
1987																
MAR	21	24	57	40	296	348	616	470	25	26	60	41	317	335	624	443
APR	26	28	66	40	272	305	665	401	27	32	58	41	290	305	588	415
MAY	28	28	60	37	297	309	623	377	26	28	50	33	274	284	575	360
JUN	28	35	57	43	256	287	607	436	29	29	59	40	276	266	605	370
JUL	29	26	58	42	283	246	640	437	27	27	49	37	279	255	555	398
AUG$_p$	**26**	**29**	**52**	**36**	**248**	**274**	**634**	**426**	**23**	**24**	**48**	**32**	**255**	**249**	**598**	**384**
1986 TOTAL	294	296	733	484					283	290	687	510				
1985 TOTAL	252	240	782	468					560	237	753	484				
8 MONTHS																
1987	184	203	438	302					188	194	409	284				
1986	196	202	529	340					187	196	494	345				
1985	158	159	535	325					171	156	509	326				
1984	127	164	623	310					129	144	581	330				

HOUSING ACTIVITY (Cont'd.)

YEAR AND MONTH	HOUSING SALES (Units in thousands) EXISTING HOUSES[1]	NEW HOMES Sold	NEW HOMES Available For Sale	NEW HOMES Months Supply at Current Rate	VALUE OF NEW CONSTRUCTION PUT IN PLACE (Dollars in billions) Seasonally Adjusted Annual Rate Total	1 Unit	2+ Units	Non-res.	CONSTRUCTION STATUS (Units in thousands) Seasonally Adjusted Annual Rate Under Construction Total	1-4 Units	5+ Units	Completions Total	1-4 Units	5+ Units
1987														
MAR	325	73	352	6.0	225.9	112.0	27.5	86.4	1,085	670	415	127	86	41
APR	331	72	355	5.8	224.6	112.8	27.0	84.8	1,070	675	395	135	94	41
MAY	346	62	352	6.8	228.1	112.8	26.6	88.7	1,061	670	391	131	94	37
JUN	360	58	359	6.8	221.6	113.1	25.0	83.5	1,064	674	390	147	108	39
JUL	333	55	359	6.6	221.2	114.4	23.5	83.3	1,062	681	381	140	99	41
AUG$_p$	**318**	**58**	**363**	**6.4**	**224.8**	**114.4**	**24.9**	**85.5**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a**	**n.a**
1986 TOTAL	3,565	749										1,756	1,206	550
1985 TOTAL	3,214	688										1,704	1,170	534
8 MONTHS														
1987	2,470	489										933*	648*	285*
1986	2,389	538										1,110	751	359
1985	2,170	484										1,089	736	353
1984	2,036	451										1,064	730	334

*7 month totals only

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED
By Type of Institution and By Unit Type
(Dollars in millions)

YEAR AND MONTH	TOTAL Total	Mtg. Bankers[3]	S&Ls	Banks[2]	Life Cos.	1-4 UNITS Total	Mtg. Bankers[3]	S&Ls	Banks[2]	Life Cos.
1986										
DEC	$74,941	$14,615	$26,639	$27,478	$6,209	$47,459	$13,148	$19,298	$14,720	$293
1987										
JAN	42,858	9,748	12,942	18,641	1,527	31,421	8,791	10,477	11,932	221
FEB	44,277	10,518	13,140	18,914	1,705	31,534	10,012	10,773	10,534	215
MAR	56,192	14,311	18,044	20,960	2,877	40,870	13,876	15,084	11,357	553
APR	61,568	15,043	21,260	23,150	2,115	46,610	14,507	18,100	13,862	141
MAY$_p$	**60,533**	**13,305**	**21,157**	**23,780**	**2,291**	**45,117**	**13,013**	**18,107**	**13,899**	**98**
1986 TOTAL	603,948	142,884	218,118	205,503	37,443	438,441	131,628	176,063	126,936	3,814
1985 TOTAL	369,343	68,065	145,372	127,873	28,033	242,112	63,296	109,286	68,224	1,306
5 MONTHS										
1987	231,818	61,773	84,955	78,644	6,446	195,554	60,199	72,542	61,585	1,228
1986	132,614	39,892	54,224	37,355	1,143	132,614	39,892	54,224	37,355	1,143
1985	80,563	20,492	38,672	21,090	309	80,563	20,492	38,672	21,090	309
1984	83,330	23,048	37,938	21,993	351	83,330	23,048	37,938	21,993	351

LENDER ACTIVITY (Cont'd.)

LONG-TERM MORTGAGE LOANS CLOSED (Cont'd.)

(Dollars in millions)

YEAR AND MONTH	5+ UNITS					NONRESIDENTIAL				
	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1986 DEC	$6,753	$919	$3,629	$1,677	$528	$20,729	$548	$3,712	$11,081	$5,388
1987 JAN	2,878	529	1,340	877	132	8,559	428	1,125	5,832	1,174
FEB	2,365	222	1,144	864	135	10,378	284	1,223	7,516	1,355
MAR	2,838	71	1,430	1,004	333	12,484	364	1,530	8,599	1,991
APR	3,858	60	1,404	2,118	276	11,100	476	1,756	7,170	1,698
MAY$_p$	**2,771**	**60**	**1,570**	**762**	**379**	**12,645**	**232**	**1,480**	**9,119**	**1,814**
5 MONTHS 1987	14,902	942	6,890	5,815	1,225	55,164	1,784	7,114	38,234	8,032
1986	11,682	1,600	6,235	2,660	1,187	42,799	1,306	7,535	25,432	8,526
1985	9,008	781	5,237	2,218	772	31,313	734	7,685	15,641	7,253
1984	8,371	339	5,084	2,379	569	27,893	1,235	7,329	14,680	4,649

LONG-TERM COMMITMENT ACTIVITY

By Type of Institution

(Dollars in millions)

YEAR AND MONTH	ISSUED DURING MONTH					OUTSTANDING				
	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[9]	S&Ls	Banks[2]	Life Cos.
1986 DEC	43,851	13,033	19,548	7,979	3,291	124,310	23,189	43,014	41,809	16,298
1987 JAN	29,511	7,044	14,068	6,674	1,725	126,919	18,703	50,462	41,594	16,160
FEB	39,650	10,941	16,795	9,599	2,315	139,858	20,664	51,689	51,121	16,384
MAR	48,132	12,078	22,955	9,974	3,125	137,219	20,110	53,750	47,241	16,118
APR	49,914	11,247	24,471	10,521	3,675	138,389	19,788	56,532	45,125	16,944
MAY$_p$	**53,536**	**11,302**	**24,203**	**14,232**	**3,799**	**149,856**	**22,151**	**57,828**	**51,694**	**18,183**
1986 TOTAL	527,397	128,480	231,915	127,902	39,100					
1985 TOTAL	324,089	59,551	170,755	61,311	32,472					
5 MONTHS 1987	220,790	52,612	102,492	51,047	14,639					
1986	211,303	52,913	89,810	49,569	19,011					
1985	117,798	18,149	63,981	23,382	12,286					
1984	116,962	22,569	63,034	21,223	10,136					

MORTGAGE INSURANCE

(Units in thousands, Dollars in millions)

YEAR AND MONTH	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	Total	FHA[3]	VA	Private	Total		FHA(203)		VA		Private	
					Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1987 MAR	307	190	49	68	247	16,893	148	9,134	60	4,420	39	3,339
APR	285	165	41	79	227	15,768	142	8,947	41	3,021	44	3,800
MAY	216	104	38	74	230	15,838	149	9,265	36	2,622	45	3,951
JUN	212	93	43	76	219	15,501	120	7,502	47	3,424	52	4,575
JUL	192	88	37	67	n.a.	n.a.	n.a.	n.a.	41	2,979	52	4,566
AUG$_p$ el4	**n.a.**	**n.a.**	**n.a.**	**57**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**46**	**3,957**
1986 TOTAL	3,283	1,908	452	923	1,852	127,759	921	56,301	345	24,720	586	46,138
1985 TOTAL	2,194	902	251	1,041	1,333	87,485	410	23,964	192	13,046	731	50,475
8 MONTHS 1987	n.a.	n.a.	n.a.	517	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	353	30,560
1986	2,343	1,427	286	630	1,124	77,076	554	34,059	199	14,205	371	28,812
1985	1,452	578	152	722	833	54,146	231	13,333	114	7,549	488	33,264
1984	1,273	301	143	829	1,025	65,637	208	11,270	149	9,577	668	44,790

SECONDARY MARKET ACTIVITY

(Dollars in millions)

YEAR AND MONTH	FNMA Portfolio Comm.	FNMA Portfolio Purc.	FNMA Mortgage-Backed Securities Outstanding	FNMA Mortgage-Backed Securities Issued	FHLMC* Comm. to Sell	FHLMC* Comm. to Buy	FHLMC* Mtg. Purc.	FHLMC* Mtg. Sold	GNMA Pass-Through Securities Applications	GNMA Pass-Through Securities Issued
1987										
MAR	2,805	1,435	107,673	4,627	9,385	14,314	9,394	9,145	10,873	10,736
APR	3,208	2,118	112,673	6,997	8,167	12,965	9,777	9,852	15,050	11,934
MAY	1,726	1,718	116,861	7,086	6,730	5,170	7,996	7,768	10,220	8,367
JUN	1,745	1,690	121,270	6,648	6,781	6,309	7,864	7,436	14,077	8,440
JUL	2,373	1,569	125,461	5,842	5,521	2,715	7,252	6,825	7,594	8,807
AUG$_p$	**2,276**	**1,613**	**127,881**	**3,997**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**6,533**	**8,245**
1986 TOTAL	32,987	30,826	—	60,566	106,563	136,179	103,474	102,443	152,911	98,169
1985 TOTAL	20,225	19,848	—	23,649	44,025	56,689	44,012	41,454	64,360	45,868
8 MONTHS										
1987	15,993	12,466	—	46,251	52,841	57,446	58,194	57,085	89,948	76,845
1986	23,282	17,509	—	36,545	54,004	76,674	47,794	45,694	83,022	53,350
1985	13,797	14,718	—	11,933	24,834	27,611	23,200	21,403	39,087	25,900
1984	13,320	11,231	—	8,811	15,650	15,036	9,559	8,887	24,642	19,962

*Year-to-date totals are for seven months only.

INTEREST RATES AND YIELDS

1- to 4-UNIT MORTGAGES

YEAR AND MONTH	FHA OPINION SURVEY FHA New[4]	FHA OPINION SURVEY CONVENTIONAL New	FHA OPINION SURVEY CONVENTIONAL Existing	FHLBB SURVEY CONVENTIONAL New	FHLBB SURVEY CONVENTIONAL Existing	FNMA 1 Yr. ARM (1%/Yr.)	FNMA FRM Conv.
1987							
MAR	8.94%	9.19%	9.20%	9.14%	9.09%	8.06%	8.663%
APR	10.02	10.11	10.14	9.21	9.09	8.35	9.655
MAY	10.61	10.44	10.46	9.37	9.27	8.85	10.208
JUN	10.33	10.29	10.29	9.45	9.38	8.69	9.995
JUL	10.38	10.22	10.23	9.44	9.43	8.45	9.773
AUG$_p$	**10.55**	**10.37**	**10.38**	**9.38**	**9.40**	**8.91**	**10.007**

CURRENT SECONDARY MARKET YIELDS

SELECTED SECURITIES

YEAR AND MONTH	GNMA[6]	FNMA[6]	FHLMC[6]	A-Rated[7] Utility	U.S. Government 10-yr.	U.S. Government 26-wk.	Prime Comm. Paper 90-119 Days
1987							
APR	9.06%	9.13%	9.08%	9.51%	8.02%	5.90%	6.45%
MAY	9.76	9.62	9.59	10.05	8.61	6.05	6.93
JUN	9.69	9.70	9.65	10.05	8.40	5.99	6.92
JUL	9.62	9.64	9.59	10.17	8.45	5.76	6.65
AUG	9.79	9.73	9.70	10.37	8.76	6.15	6.71
SEP	**10.43**	**10.29**	**10.25**	**10.84**	**9.42**	**6.61**	**7.37**

SPREADS (Basis Points)

YEAR AND MONTH	FHA New Minus A-Utility	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
1987				
MAR	10	87	100	97
APR	51	104	111	106
MAY	56	115	101	98
JUN	28	129	130	125
JUL	21	117	119	114
AUG	−29	103	97	94
SEP	**n.a.**	**101**	**87**	**83**

NA—Not available, p—Preliminary

[1] From the National Association of Realtors "Existing Home Sales" series

[2] Mutual Savings Banks and Commercial Banks.

[3] FHA applications received includes the Direct Endorsement Program starting in 1984.

[4] Secondary market gross yields.

[5] Federal Home Loan Mortgage Corp. Existing Construction only.

[6] Securities for 0 to 30 day delivery.

[7] Prior to January 1984 this rate was for Aaa-rated [illegible] Issue Utility Bonds.

[8] Year-to-date seasonally adjusted series not calculated.

[9] 1985 data on mortgage bankers obtained from the HUD Survey of Mortgage Lending Activity.

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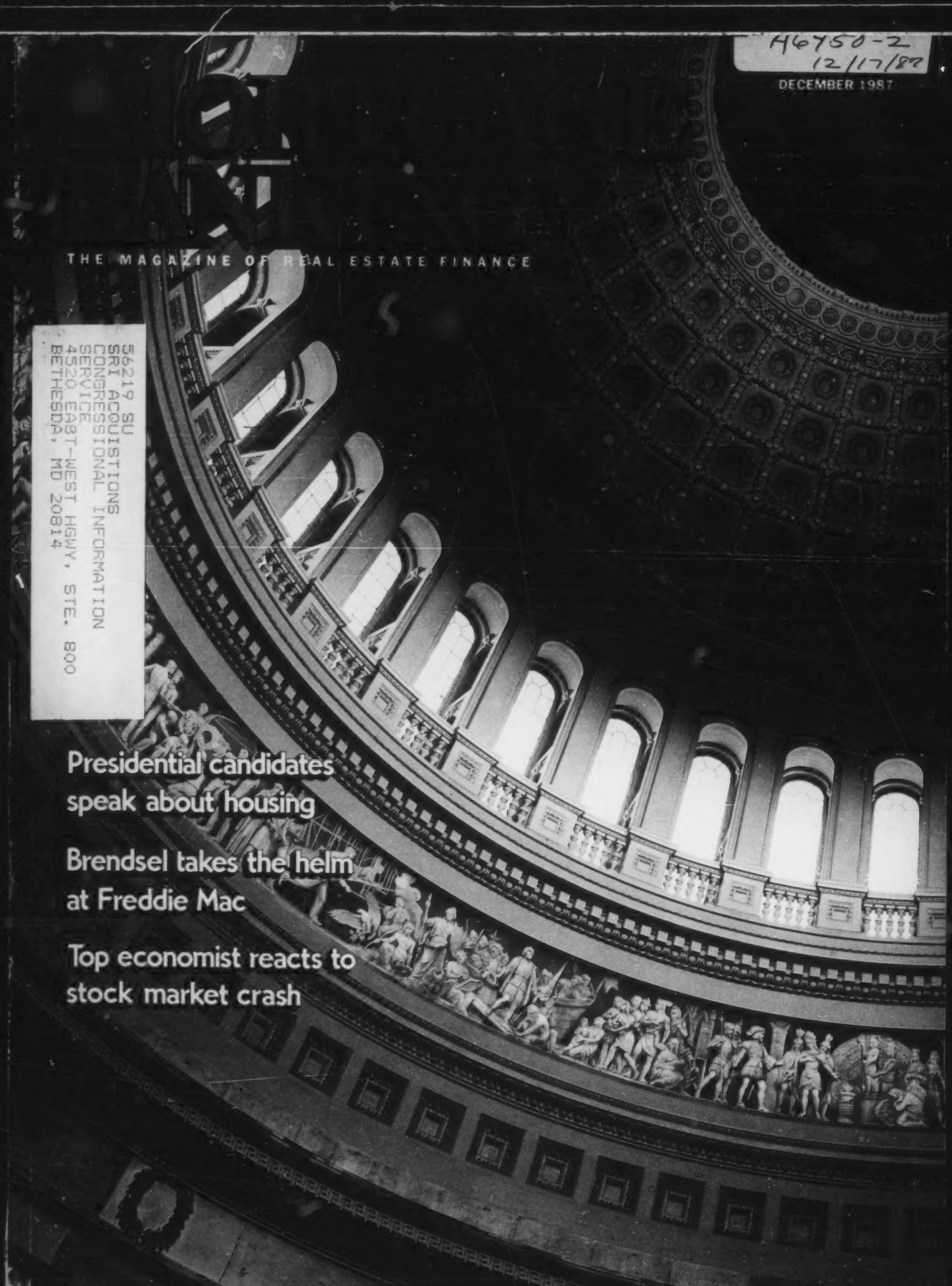

Presidential candidates speak about housing

Brendsel takes the helm at Freddie Mac

Top economist reacts to stock market crash

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VOLUME 48 NUMBER 3

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EDITORIAL PAGE

THE COVER

The U.S. Capitol dome is instantly recognized by Americans as the center of governmental power and is universally regarded as a symbol of democracy. This month, *Mortgage Banking* offers an inside look, not only at the U.S. Capitol dome as depicted on the cover, but the inner workings of two congressional committees and insight into what the presidential candidates think about national housing policies.

An inside look at the Capitol dome reveals Constantino Brumidi's "Apotheosis of Washington," the fresco in the canopy of the dome, considered a masterful allegorical work of art. Brumidi worked 11 months painting this masterpiece; he signed it in 1865. Symbols for the 13 original colonies surround the figure of George Washington that is flanked by images depicting Liberty, Victory and Fame. Other allegorical figures averaging 25 feet in height symbolize the Arts and Sciences, the Sea, Commerce, Mechanics, Agriculture, War and Freedom.

LaDonna Hale Curzon
Assistant Editor

THE ISSUE

This year *Mortgage Banking* celebrates editorial firsts in this December issue that traditionally examines legislative and regulatory issues. We've got the 1988 presidential candidates on record with their views on housing as well as some views on the political process from those who make it happen.

The Mortgage Bankers Association of America (MBA) posed questions about housing and real estate finance to each presidential candidate. In a first for *Mortgage Banking*, we publish those interviews with the candidates.

Congress could not work without the expertise and political savvy of its professional staff. In another first for *Mortgage Banking*, we interview two key staff directors who work on housing legislation. We hope you enjoy their insights and perspectives.

In these times of volatile economic changes, we could not neglect the stock market and how it affects mortgage lending. Be sure to read Lyle Gramley's comments about the changes wrought by the stock market crash.

And, our interviews with real estate finance leaders continue with Leland Brendsel, Federal Home Loan Mortgage Corporation (Freddie Mac) president.

THE ARTIST

Peter Gridley captured the inner beauty hidden inside the U.S. Capitol dome featured on this month's cover. He specializes in photographing landmarks in the nation's capital. As a fulltime photographer, he has a studio in the Washington, D.C. suburb of Reston, Virginia.

AND NEXT ISSUE

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Americans open the lid on their home equity.

BANKING ON YOUR HOME

Thomas M. Holloway

Wealth accumulation plays a key role in planning for retirement, determining consumer saving and spending, providing bequests to descendants and influencing national capital formation and economic growth. In short, wealth accumulation has significant economic impacts and is a key element of the nation's economic well-being.

Trends in household sector assets and net worth—In assessing their financial condition, households must focus not only on the overall growth in their assets and net worth, but also on the composition of their wealth. Economic theory suggests that households select among the various assets available to them on the basis of risk, expected earnings and expected capital gains. When economic conditions change and these changes affect capital gains or other factors influencing portfolio choices, households may act to adjust the composition of their portfolio.

Available data on household balance sheets show assets and net worth, and permit an analysis of the relative importance and growth of various balance sheet entries. Owner-occupied housing, land and consumer durables are the most important tangible assets. Checking and saving deposits, credit market instruments, corporate equities, life insurance and pension reserves, and equity in non-corporate business are the most important financial assets.

Table 1 shows total household sector assets and net worth. The table also shows owner-occupied real estate and home equity and their respective shares of total assets and net worth. Household assets increased $14.8 trillion from 1960-86; net worth increased $12.3 trillion. At compound annual rates, assets increased 8.6 percent and net worth increased 8.4 percent. The rate of increase was not uniform over the period. An examination of the growth rates during three subperiods, 1960-70, 1970-80, and 1980-86, suggests that growth rates in assets and net worth reflected general patterns of inflation. The inflation rate averaged 2.7 percent during 1960-70, 7.3 percent during 1970-80 and 4.7 percent during 1980-86; over the entire 1960-86 period, the inflation rate was 4.9 percent. The growth rates in assets and net worth, shown at the bottom of Table 1, were lowest during the 1960-70 subperiod and highest during the 1970-80 subperiod. During the most recent subperiod, growth rates of assets and net worth—like the inflation rate—were similar to the entire 1960-86 period average.

The value of owner-occupied real estate increased $3.3 trillion from 1960-86, with particularly rapid increases during the 1970-80 subperiod.

Rapid growth continued until 1982, when there was an abrupt decline in the aggregate value of owner-occupied real estate. Because home mortgages did not decline, home equity also declined in 1982.

Owner-occupied real estate averaged 20.8 percent of total assets during 1960-86. The share was lowest during the mid-1960s, highest during the late 1970s, and peaked in 1979 at 25.3 percent. Home equity averaged 14.5 percent of net worth during 1960-86. The share was lowest during the mid-1960s, highest during the late 1970s, and peaked in 1978 at 19.0 percent. Variation over time in the shares of owner-occupied real estate and home equity partly reflected the responsiveness of owner-occupied real estate to inflation during the period under review. During the period, appreciation of owner-occupied real estate nearly exactly matched the inflation rate.

Because owner-occupied housing is a leveraged asset (*i.e.*, part of the value is financed) and home mortgages do not automatically increase with inflation, home equity increased more rapidly than the inflation rate. For this reason, homeownership has been viewed as an effective hedge against inflation. Home equity as a share of net worth increased during periods of accelerating inflation, such as 1972-74 and 1976-79, and generally decreased as a share during periods of decelerating inflation, such as

TABLE 1

Household Sector Assets, Liabilities, and Net Worth [Billions of dollars, except where noted]

	Assets		Net Worth		Owner-Occupied Real Estate as a Percent of Total Assets	Home Equity as a Percent of Total Net Worth
Year	Total	Owner-Occupied Real Estate	Total	Home Equity		
1960	1,973.9	372.9	1,745.7	235.6	18.9	13.5
1961	2,149.6	388.0	1,903.3	238.5	18.0	12.5
1962	2,161.8	403.8	1,893.7	240.5	18.7	12.7
1963	2,328.0	414.7	2,030.3	234.8	17.8	11.6
1964	2,495.7	441.1	2,168.3	243.8	17.7	11.2
1965	2,691.1	462.2	2,332.4	247.9	17.2	10.6
1966	2,788.8	510.5	2,405.9	282.0	18.3	11.7
1967	3,087.5	537.0	2,679.0	296.3	17.4	11.1
1968	3,445.7	600.4	3,000.5	342.7	17.4	11.4
1969	3,515.5	655.6	3,038.1	379.4	18.6	12.5
1970	3,670.2	689.8	3,169.3	399.8	18.8	12.6
1971	4,043.8	767.9	3,494.8	453.1	19.0	13.0
1972	4,476.4	859.3	3,860.2	506.3	19.2	13.1
1973	4,709.3	997.5	4,019.4	600.7	21.2	14.9
1974	4,950.3	1,137.7	4,209.1	706.3	23.0	16.8
1975	5,551.9	1,233.1	4,760.6	763.4	22.2	16.0
1976	6,275.5	1,415.9	5,387.7	886.5	22.6	16.5
1977	6,968.7	1,685.0	5,940.0	1,065.8	24.2	17.9
1978	7,986.7	2,015.8	6,788.7	1,288.1	25.2	19.0
1979	9,197.2	2,323.6	7,820.9	1,476.7	25.3	18.9
1980	10,537.1	2,568.9	9,028.2	1,625.6	24.4	18.0
1981	11,434.2	2,845.6	9,796.4	1,822.6	24.9	18.6
1982	11,911.6	2,703.4	10,184.9	1,638.8	22.7	16.1
1983	13,141.6	3,062.6	11,216.4	1,887.9	23.3	16.8
1984	14,006.7	3,230.5	11,849.2	1,927.1	23.1	16.3
1985	15,336.2	3,332.7	12,873.4	1,882.7	21.7	14.6
1986	16,806.5	3,677.2	14,049.3	2,030.4	21.9	14.5
Compound annual growth rates (percent):						
1960-86	8.6	9.2	8.4	8.6	—	—
1960-70	6.4	6.3	6.1	5.4	—	—
1970-80	11.1	14.1	11.0	15.1	—	—
1980-86	8.1	6.2	7.6	3.8	—	—

Source: Board of Governors of the Federal Reserve System, *Balance Sheets for the U.S. Economy 1947-86* (May 1987).

CHART 1

Home Equity Share of Net Worth and the Inflation Rate

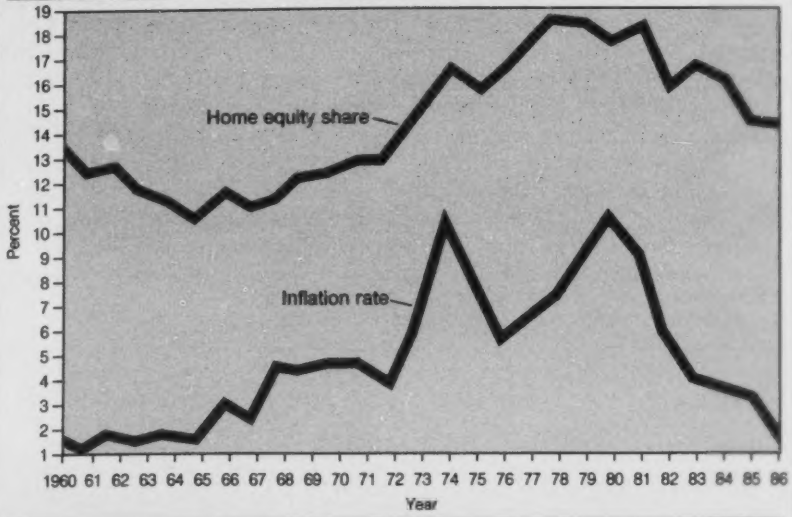

TABLE 2

Homeownership Rate by Income Quintile [Percent]

	Income Quintile					
Year	Lowest	Second	Third	Fourth	Highest	All Quintiles
1960	51.0	50.8	59.2	70.0	78.3	61.9
1970	49.9	51.2	60.8	72.4	80.2	62.9
1975	46.5	53.9	63.5	73.8	85.5	64.6
1980	46.1	54.1	62.1	77.7	83.0	65.6
1983	43.4	54.0	63.0	75.8	87.2	64.7

Sources: For 1960 and 1970: U.S. Department of Commerce, Bureau of the Census, *Census of Housing*. For 1975, 1980, and 1983: U.S. Department of Commerce, Bureau of the Census and U.S. Department of Housing and Urban Development, Office of Policy Development and Research, *Annual Housing Survey: Financial Characteristics of the Housing Inventory*. Quintile splits were estimated by the author using grouped data from the volumes as noted.

1974-75 and 1980-86. Chart 1 illustrates the relationship between the inflation rate and the home equity share of net worth.

These observations about net worth and the role of homeownership over time must be viewed in the context of the economic, financial and demographic conditions of the period—conditions that are likely to be different in the future.[1] Most importantly, during part of the 1970s, accelerating inflation was not anticipated. Partly for this reason, real interest rates were very low and sometimes negative. This encouraged individuals to borrow to purchase houses, thus bidding up their prices. Also, the baby boom generation, those individuals born between 1945 and 1964, contributed significantly to household formations in the late 1970s, further strengthening the demand for houses. Factors such as these, which contributed to making homeownership a good hedge against inflation in the past 25 years, may not be operative to the same degree in the event of high inflation in the future.

In any case, homeownership clearly plays an important role in accounting for growth in aggregate household sector net worth. However, the significance of homeownership becomes much more pronounced when considering the distribution of wealth.

Homeownership and the distribution of wealth—Data on the distribution of household wealth are available only at irregular intervals and differ in quality and coverage. Two of the most comprehensive studies were conducted by the Board of Governors of the Federal Reserve and pertain to 1962 and 1983, respectively.

One of the most noteworthy aspects of homeownership is that it is very broadly distributed, even among low-income households. Table 2 shows the homeownership rate by income quintile and illustrates several important points. First, the overall homeownership rate is about 60-65 percent—an important indicator of the widespread distribution of this type of asset. Second, even in the lowest two income quintiles, nearly one-half of all households owned homes. Third, homeownership rates increased with income levels. Fourth, with time, homeownership rates have declined in the lowest income quintile, but increased in the highest income quintile. Two of the reasons for shifts in homeownership rates among low-income and high-income households include demographic changes and trends in interest rates.[2] During the 1960-83 period, single mothers and persons living alone—population subgroups that traditionally experience relatively low homeownership rates at all income levels—have become increasing proportions of low-income households. During the same period, nominal interest rates have trended upward—primarily as a result of rising inflation rates—and have made it more difficult for low-income households to qualify for mortgage loans.

Table 3 provides more specific information about the distribution of owner-occupied housing compared to other types of assets in 1962 and 1983. The table shows the share of total assets, liabilities, net worth and selected components of these totals held by the wealthiest 1 percent of households. These statistics provide one indicator of the degree of wealth concentration. The table also shows Gini coefficients, which measure the degree of inequality in the distribution of wealth. Gini coefficients range in value from 0 to 1.0. A coefficient of 0 implies complete equality (*i.e.*, all households own the same amount of wealth); a Gini coefficient of 1.0 implies complete inequality (*i.e.*, a single household owns all wealth). Gini coefficients between these extremes reflect differing degrees of wealth concentration.

Gini coefficients are shown for households holding the selected asset or liability and for all households. The difference in coverage between the measures can be illustrated using

TABLE 3

Concentration of Household Wealth by Selected Types of Assets and Liabilities

Type of Asset or Liability	Share Held by the Wealthiest 1 Percent of Households		Gini Coefficient for Households Holding the Selected Asset or Liability		Gini Coefficient for All Households	
	1962	1983	1962	1983	1962	1983
All assets	28.7	31.5	.71	.77	.71	.77
Owner-occupied housing	8.2	12.2	.35	.43	.63	.65
Other real estate	50.5	45.2	.66	.69	.96	.94
Vehicles	7.4	6.5	.47	.42	.61	.51
Demand deposits and currency	34.6	33.5	.81	.82	.81	.82
Time and savings deposit	23.6	29.6	.73	.78	.84	.85
Corporate stock	71.9	81.3	.96	.91	.98	.98
Trust fund equity	99.7	98.3	.91	.94	.999	.998
All liabilities	15.4	21.3	.62	.71	.75	.81
Mortgage debt	10.2	17.4	.38	.48	.80	.84
Other debt	34.7	53.2	.69	.81	.82	.89
Net worth	32.4	33.6	.77	.79	.77	.79

Source: Edward N. Wolff and Marcia Marley, "Long-term Trends in U.S. Wealth Inequality: Methodological Issues and Results," in Robert E. Lipsey and Helen Stone Tice, eds., *The Measurement of Saving, Investment, and Wealth* (Chicago: University of Chicago Press, forthcoming). Wolff and Marley computations are based on data in Dorothy S. Projector and Gertrude S. Weiss, *Survey of Financial Characteristics of Consumers* (Washington, D.C.: Board of Governors of the Federal Reserve, 1966) and unpublished data from the 1983 Survey of Consumer Finances. Additional computations on the Gini coefficient for all households were made by the author.

TABLE 4

Components of Net Worth by Size of Total Net Worth, 1983

Components of Total Net Worth	Size of Total Net Worth [$Thousand]									
	0 or Negative	Up to 4.9	5.0-9.9	10.0-24.9	25.0-49.9	50.0-99.9	100.0-249.9	250.0-499.9	500.0 +	All
Mean value ($thousand):										
Home equity	.1	.3	2.4	8.9	23.3	43.3	64.8	94.6	204.9	34.6
Other real estate equity	0	0	.3	.8	2.2	5.8	20.6	56.4	322.8	19.5
Vehicle equity	.4	1.3	2.4	2.6	3.2	4.3	5.9	7.8	11.6	3.7
Liquid assets	.5	.6	1.8	3.0	4.3	9.6	25.6	40.6	93.1	12.3
Corporate stock	0	.2	.1	.4	.7	1.5	6.6	21.0	267.4	12.6
Other assets and liabilities	-3.0	-.5	.1	1.0	3.2	6.6	26.8	122.7	818.4	42.5
Total net worth	-2.0	1.9	7.2	16.8	36.9	71.1	150.4	343.1	1718.1	125.2
Percent of net worth:										
Home equity	n.m.	16.1	34.0	53.3	63.1	60.9	43.1	27.6	11.9	27.6
Other real estate equity	n.m.	1.4	4.2	4.8	6.0	8.2	13.7	16.4	18.8	15.6
Vehicle equity	n.m.	66.9	33.4	15.8	8.8	6.0	3.9	2.3	.7	3.0
Liquid assets	n.m.	31.4	25.1	18.0	11.6	13.5	17.0	11.8	5.4	9.8
Corporate stock	n.m.	9.2	1.7	2.2	2.0	2.1	4.4	6.1	15.6	10.1
Other assets and liabilities	n.m.	-25.0	1.6	6.0	8.6	9.3	17.8	35.8	47.6	33.9
Addendum:										
Households by size of total net worth:										
Number in millions	6.7	14.3	5.1	10.3	12.8	14.9	12.2	4.2	3.2	83.9
Percent of total	8.0	17.0	6.1	12.3	15.3	17.8	14.6	5.0	3.8	100.0

Source: Richard T. Curtin, F. Thomas Juster, and James N. Morgan, "Survey Estimates of Wealth: An Assessment of Quality," in Robert E. Lipsey and Helen Stone Tice, eds., *The Measurement of Saving, Investment, and Wealth* (Chicago: University of Chicago Press, forthcoming). Curtin, Juster, and Morgan computations are based on unpublished data from the 1983 Survey of Consumer Finances. Additional computations were made by the author.
n.m. = not meaningful.

TABLE 5

Components of Net Worth by Income Class, 1983

Components of Total Net Worth	Income Class [$Thousand]						
	Less than 10.8	10.8-23.9	24.0-47.9	48.0-95.9	96.0-191.9	Greater than 191.9	All
Mean value ($thousand):							
Home equity	14.2	24.2	40.2	69.4	154.5	306.3	34.6
Other real estate equity	3.2	6.4	14.2	50.0	105.4	763.6	19.5
Vehicle equity	1.3	2.8	4.5	6.5	9.6	13.1	3.7
Liquid assets	2.6	6.6	12.9	27.4	69.0	182.6	12.3
Corporate stock	.3	1.6	4.2	21.8	151.4	769.9	12.6
Other assets and liabilities	7.7	9.4	24.4	91.3	347.9	2028.2	42.5
Total net worth	29.3	53.0	100.4	266.4	837.8	4063.7	125.2
Percent of net worth:							
Home equity	48.5	45.7	40.0	26.1	18.4	7.5	27.6
Other real estate equity	10.9	12.1	14.1	18.8	12.6	18.8	15.6
Vehicle equity	4.4	5.3	4.5	2.4	1.1	.3	3.0
Liquid assets	8.9	16.2	12.8	10.3	8.2	4.5	9.8
Corporate stock	1.0	3.0	4.2	8.2	18.1	18.9	10.1
Other assets and liabilities	26.3	17.7	24.3	34.3	41.5	49.9	33.9
Addendum:							
Households by income class:							
Number in millions	22.1	27.9	24.6	7.2	1.3	.7	83.9
Percent of total	26.4	33.2	29.3	8.6	1.6	.8	100.0

Source: Richard T. Curtin, F. Thomas Juster, and James N. Morgan, "Survey Estimates of Wealth: An Assessment of Quality," in Robert E. Lipsey and Helen Stone Tice, eds., *The Measurement of Saving, Investment, and Wealth* (Chicago: University of Chicago Press, forthcoming). Curtin, Juster, and Morgan computations are based on unpublished data from the 1983 Survey of Consumer Finances. Additional computations were made by the author.

owner-occupied housing as an example. The former Gini coefficient reflects the distribution of housing assets among households that own a house and ignores the fact that 35 to 40 percent of households do not own a house. The latter Gini coeeficient reflects the distribution of housing assets among all households whether they own a house or not. For this reason, these latter Gini coefficients are higher (*i.e.*, suggest greater inequality in the distribution) because these coefficients also reflect households that do not own any of the asset.

The table indicates that there are striking differences in the degree of concentration among different types of assets and liabilities. In 1983, the least concentrated item was vehicles—the Gini coefficient for all households was .51. The most concentrated item was trust fund equity with a Gini coefficient of .998. As the table shows, more than 98 percent of trust fund equity was held by the wealthiest 1 percent of households. Owner-occupied housing was more equitably distributed than any other item except for vehicles. The Gini coefficient of .65 was significantly lower than the coefficient of .77 for total assets or the coefficient of .79 for net worth. While more than 30 percent of the value of total assets and net worth were concentrated in the wealthiest 1 percent of households, only 12.2 percent of the value of owner-occupied housing was held by the wealthiest households. Other common assets, such as savings deposits and corporate stock, were also significantly more concentrated than owner-occupied housing. The upshot is that owner-occupied housing is distributed much more equitably than most other assets.

However, the table also suggests that the degree of wealth concentration of total assets, net worth and owner-occupied housing increased from 1962 to 1983. The wealthiest 1 percent of households held 28.7 percent of total assets and 32.4 percent of net worth in 1962 compared to 31.5 percent and 33.6 percent, respectively, in 1983. In 1962, 8.2 percent of the value of owner-occupied housing was held by the wealthiest 1 percent of households, and the Gini coefficient was .63. These values increased to 12.2 percent and .65, respectively, by 1983. Thus, the increase in the concentration of wealth included increased concentration in owner-occupied housing, but housing still remained significantly less concentrated than most other types of assets.

Tables 4, 5 and 6 and Charts 2 and 3 focus on the current distribution of net worth (as of late 1983) by wealth, income and age stratifications, and highlight the importance of home equity. The top portion of each table shows the average amounts of each component of net worth held by all households that fall within the wealth, income, or age stratum.[3] The bottom portion of each table shows the components of net worth as percentage of total net worth within each stratum. For example, in Table 4, home equity

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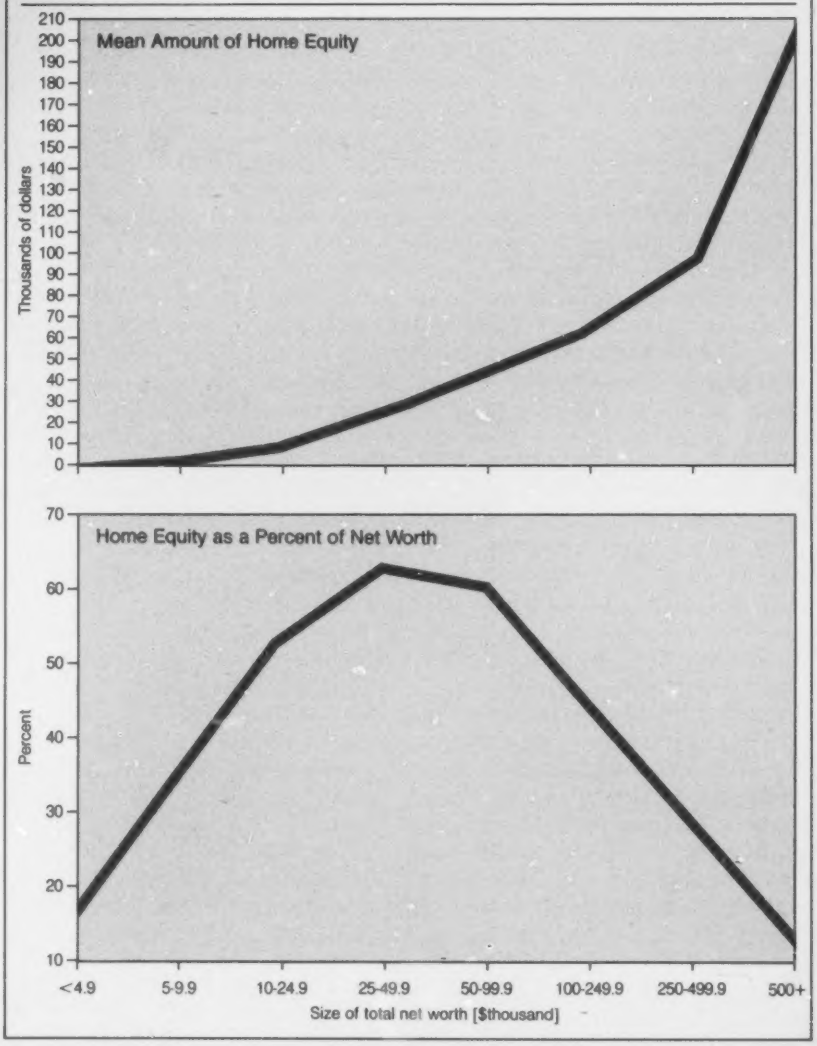
averaged 53.3 percent of total net worth for households that held $10.0-24.9 thousand total net worth. An addendum item to each table shows the number and percentage of households in each stratum.

The relative importance of home equity as a component of net worth by wealth strata shows an interesting pattern. The share of net worth accounted for by home equity first rises by wealth stratum, then begins to flatten, then falls sharply. Excluding households with overall net worth less than $5,000, home equity is the most important single source of net worth until households reach $250,000 in total net worth or more. The home equity share is greatest for households that hold $25,000 to $100,000 in net worth. For these households, which account for about 28 million or about one-third of all households, home equity accounts for more than 60 percent of the total. As households accumulate more than $250,000 in net worth, the relative importance of home equity declines as stocks and other assets (*e.g.*, bonds, equity in partnerships, etc.) become increasingly important shares of the portfolios of the wealthy.

Table 5 shows components of net worth stratified by income class. Chart 3 highlights the home equity item from the table. It is not at all surprising that net worth increases sharply with income. For households with income less than $10,800 net worth averages about $29,000. At the high end of the income range, households earning more than $191,900 average about

CHART 2

Mean Amount of Home Equity and Home Equity as a Percent of Net Worth by Size of Total Net Worth, 1983



$4.1 million in net worth. The mean amount of home equity also rises sharply with income. For households earning less than $10,800, home equity averages about $14,000; for households earning more than $191,900, home equity averages more than $300,000.

The relative importance of home equity as a component of net worth by income class is highlighted in the bottom panel of Chart 3. The share declines with each successive income stratum. For households earning less than $48,000 (about 75 million or about 89 percent of all households), home equity accounted for 40 percent or more of total net worth. This relatively high percentage is consistent with the high degree of ownership by low- and middle-income households and the statistics previously discussed concerning the relatively equitable distribution of homeownership. At the high end of the income range, the relative importance of home equity declines sharply for some of the same reasons discussed with respect to the relatively high wealth strata.

Table 6 shows components of net worth stratified by age groups. Age is clearly an important factor in the accumulation of wealth. The level of wealth at any point in time depends on the initial level of wealth, saving, and the return on the initial wealth and accumulated savings and returns. Because time is an important element in this process and older households have a longer time for wealth to grow, wealth should rise with age until assets are drawn down during retirement. For households with heads under 35, net worth averages about $30,000. Net worth peaks at about $282,000 for households with heads 65-69, then drops to about $174,000 for households with heads 70-74. Home equity follows a similar pattern, but differences in the means are much less pronounced. For example, the difference in mean net worth between households with heads 45-54 and those with heads 65-69 is nearly $100,000, but the difference in home equity is only about $4,000.

The shifts in the relative importance of home equity as a component of net worth by age reflect these patterns. The home equity percentage is largest for relatively young households. As the household head ages, other components of net worth become increasingly important. As the household head retires, some of these other components of net worth are drawn down, and housing once again becomes a more important component of the total portfolio.

During the past quarter century, aggregate household sector net worth increased eight-fold. After adjusting for price changes, the purchasing power equivalent of this net worth still more than doubled. Homeownership played a very important role. Using Federal Reserve household sector balance sheet data, the importance of homeownership relative to other types of assets and net worth was discussed. During periods of accelerating inflation and high inflation expectations, the data reveal that owner-occupied real estate and home equity became relatively more important components of household portfolios. A major reason was that capital gains made housing an effective hedge against inflation.

Using survey data from 1962 and 1983, the distribution of wealth among households was then examined. The data reveal the broad distribution of homeownership and show that the relative importance of home equity as a component of net worth varies by total amount of wealth, income and age. Homeownership is a relatively more important source of wealth for low- and middle-income households than for the very wealthy. *continued*

CHART 3

Mean Amount of Home Equity and Home Equity as a Percent of Net Worth by Income Class, 1983

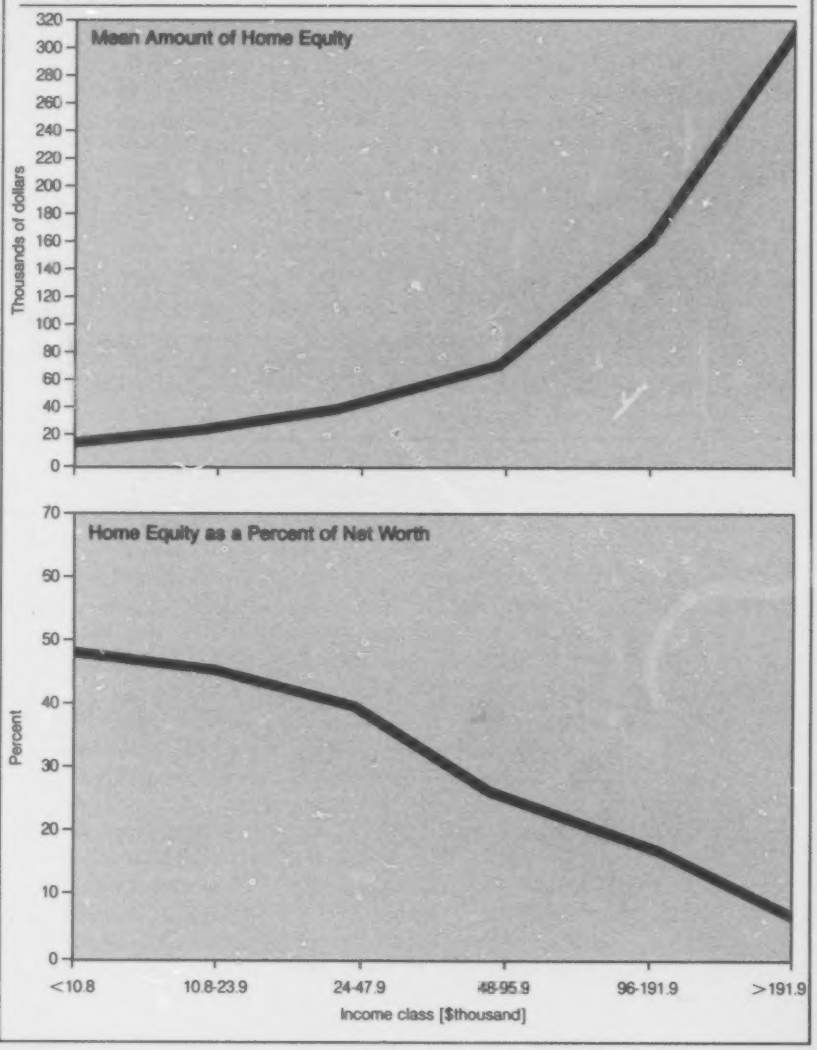


TABLE 6

Components of Net Worth by Age, 1983

Components of Total Net Worth	Age Groups							
	Under 35	35-44	45-54	55-64	65-69	70-74	Over 74	All
Mean value ($thousand):								
Home equity	10.2	34.2	52.4	54.2	56.6	43.2	32.1	34.6
Other real estate equity	3.8	11.7	23.1	30.3	84.8	19.9	16.5	19.5
Vehicle equity	2.5	3.8	4.6	4.4	3.8	2.8	1.8	3.7
Liquid assets	2.7	7.7	11.5	18.9	30.4	23.5	24.6	12.3
Corporate stock	1.1	4.7	13.4	24.1	33.7	33.9	21.0	12.6
Other assets and liabilities	9.5	37.7	82.7	72.9	72.3	51.1	26.2	42.5
Total net worth	29.8	99.8	187.7	204.8	281.6	174.4	122.2	125.2
Percent of net worth:								
Home equity	34.2	34.3	27.9	26.5	20.1	24.8	26.3	27.6
Other real estate equity	12.8	11.7	12.3	14.8	30.1	11.4	13.5	15.6
Vehicle equity	8.4	3.8	2.5	2.1	1.3	1.6	1.5	3.0
Liquid assets	9.1	7.7	6.1	9.2	10.8	13.5	20.1	9.8
Corporate stock	3.7	4.7	7.1	11.8	12.0	19.4	17.2	10.1
Other assets and liabilities	31.9	37.8	44.1	35.6	25.7	29.3	21.4	33.9
Addendum:								
Households by age of household head:								
Number in millions	25.5	16.4	13.2	12.6	5.6	4.5	6.0	83.9
Percent of total	30.4	19.5	15.7	15.0	6.7	5.4	7.2	100.0

Source: Richard T. Curtin, F. Thomas Juster, and James N. Morgan, "Survey Estimates of Wealth: An Assessment of Quality," in Robert E. Lipsey and Helen Stone Tice, eds., *The Measurement of Saving, Investment, and Wealth* (Chicago: University of Chicago Press, forthcoming). Curtin, Juster, and Morgan computations are based on unpublished data from the 1983 Survey of Consumer Finances. Additional computations were made by the author.

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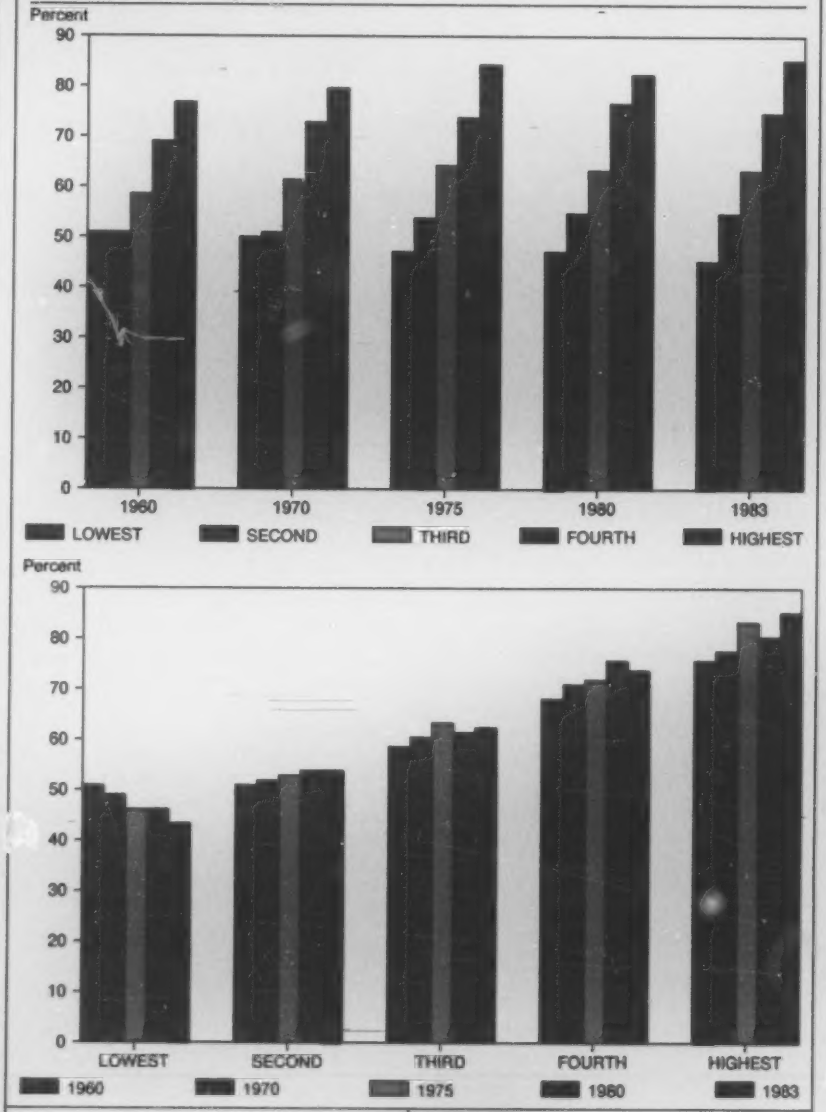
CHART 4

Homeownership Rate by Income Quintile



Homeownership has been an important contributor to the growth of aggregate household wealth in the United States since 1960 and has served as an effective inflation hedge during the period. When inflation and inflation expectations were high, appreciation in owner-occupied real estate contributed to increases in the relative importance of homeownership as a component of net worth. Homeownership also plays a crucial role compared with other types of assets in making the distribution of wealth in the United States more equitable. Home equity is more equally distributed than most of the other major components of household net worth. □

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[1]For a discussion of some of the long-run factors affecting homeownership, see Lyle E. Gramley, Richard W. Peach, and Edison R. Zayas, *Real Estate Finance and Housing: 1987 Outlook and Fact Book* (Washington, D.C.: Mortgage Bankers Association of America, 1987).

[2]For a discussion of these factors and others affecting shifts in low-income and high-income ownership rates, see National Association of Home Builders, *Low- & Moderate Income Housing: Progress, Problems & Prospects* (Washington D.C.: National Association of Home Builders, 1986) pp 23-8.

[3]If some households in the stratum have no holdings of the components of net worth, the average in the stratum is affected by averaging in these zero holdings. For example, in Table 4, mean home equity for all households that held $10.0-24.9 thousand in total net worth was $8.9 thousand. Some of the households in the $10.0-24.9 thousand stratum do not own homes. Thus, the $8.9 thousand should not be viewed as the average amount of home equity of homeowners in the stratum, but as the average amount of all households whether homeowners or not.

HOUSING ACTIVITY

RESIDENTIAL STRUCTURES, BY UNIT TYPE

(Units in thousands)

YEAR AND MONTH	HOUSING STARTS						PERMITS 17,000 ISSUING PLACES					
	Actual			Seasonally Adjusted Annual Rates			Actual			Seasonally Adjusted Annual Rates		
	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units	Total	1-4 Units	5+ Units
1987												
APR	159	124	35	1,643	1,275	368	157	117	40	1,598	1,152	446
MAY	158	120	38	1,606	1,197	409	136	104	32	1,493	1,100	393
JUN	165	123	42	1,586	1,173	413	156	118	38	1,517	1,124	393
JUL	152	117	35	1,598	1,202	396	141	104	37	1,487	1,080	407
AUG	145	107	38	1,598	1,169	429	128	95	33	1,484	1,088	396
SEP$_p$	**150**	**109**	**41**	**1,669**	**1,225**	**444**	**136**	**95**	**41**	**1,493**	**1,067**	**426**
1986 TOTAL	1,805	1,262	543				1,769	1,185	584			
1985 TOTAL	1,742	1,166	576				1,733	1,077	657			
9 MONTHS												
1987	1,276	847	429				1,215	892	323			
1986	1,422	1,104	318				1,376	928	448			
1985	1,324	903	421				1,330	837	493			
1984	1,372	943	429				1,315	844	471			

RESIDENTIAL STRUCTURES BY REGION

(Units in thousands)

YEAR AND MONTH	HOUSING STARTS								PERMITS 17,000 ISSUING PLACES							
	Actual				Seasonally Adjusted Annual Rates				Actual				Seasonally Adjusted Annual Rates			
	North East	Mid-West	South	West	North East	Mid-West	South	West	North East	Mid-West	South	West	North East	Mid-West	South	West
1987																
APR	26	28	66	40	272	305	665	401	27	32	58	41	290	305	588	415
MAY	28	28	60	37	297	309	623	377	26	28	50	33	274	284	575	360
JUN	28	35	57	43	256	287	607	436	29	29	59	40	276	266	605	370
JUL	28	26	57	41	278	255	636	429	27	27	49	37	279	255	555	398
AUG	26	29	53	37	246	279	642	431	23	24	48	33	257	250	606	389
SEP$_p$	**23**	**30**	**60**	**37**	**244**	**308**	**688**	**429**	**25**	**29**	**48**	**34**	**250**	**286**	**561**	**396**
1986 TOTAL	294	296	733	484					283	290	687	510				
1985 TOTAL	252	240	782	468					560	237	75[illegible]	484				
9 MONTHS																
1987	207	235	497	337					214	224	457	319				
1986	226	230	590	377					218	223	546	387				
1985	182	182	596	365					195	180	574	381				
1984	147	187	692	347					148	162	642	364				

HOUSING ACTIVITY (Cont'd.)

YEAR AND MONTH	HOUSING SALES (Units in thousands) EXISTING HOUSES[1]	NEW HOMES Sold	NEW HOMES Available For Sale	NEW HOMES Months Supply at Current Rate	VALUE OF NEW CONSTRUCTION PUT IN PLACE (Dollars in billions) Seasonally Adjusted Annual Rate Total	1 Unit	2+ Units	Non-res.	CONSTRUCTION STATUS (Units in thousands) Seasonally Adjusted Annual Rate Under Construction Total	1-4 Units	5+ Units	Completions Total	1-4 Units	5+ Units
1987														
APR	331	72	359	5.8	224.6	112.8	27.0	84.8	1,070	675	395	135	94	41
MAY	346	62	355	6.8	228.1	112.8	26.6	88.7	1,061	670	391	131	94	37
JUN	360	58	359	6.8	224.8	113.1	25.0	86.7	1,059	669	390	147	108	39
JUL	333	56	358	6.5	226.2	114.1	23.8	88.3	1,054	674	380	143	101	42
AUG	319	58	360	6.4	227.2	114.5	23.6	89.1	1,054	677	377	151	105	46
SEP$_p$	**294**	**52**	**359**	**6.8**	**229.4**	**115.9**	**24.0**	**89.5**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a**	**n.a**
1986 TOTAL	3,565	749										1,756	1,206	550
1985 TOTAL	3,214	688										1,704	1,170	534
9 MONTHS														
1987	2,765	542										1,091*	759*	332*
1986	2,706	598										1,110	863	404
1985	2,448	538										1,089	846	401
1984	2,250	504										1,064	835	380

*8-month totals only

LENDER ACTIVITY

LONG-TERM MORTGAGE LOANS CLOSED

By Type of Institution and By Unit Type

(Dollars in millions)

YEAR AND MONTH	TOTAL Total	Mtg. Bankers[3]	S&Ls	Banks[2]	Life Cos.	1-4 UNITS Total	Mtg. Bankers[3]	S&Ls	Banks[2]	Life Cos.
1987										
JAN	$42,858	$9,748	$12,942	$18,641	$1,527	$31,421	$8,791	$10,477	$11,932	$221
FEB	44,277	10,518	13,140	18,914	1,705	31,534	10,012	10,773	10,534	215
MAR	56,192	14,311	18,044	20,960	2,877	40,870	13,876	15,084	11,357	553
APR	61,568	15,043	21,260	23,150	2,115	46,610	14,507	18,100	13,862	141
MAY	60,533	13,305	21,157	23,780	2,291	45,117	13,013	18,107	13,899	98
JUN$_p$	**62,440**	**10,121**	**23,453**	**26,026**	**2,840**	**44,607**	**9,509**	**19,489**	**15,146**	**363**
1986 TOTAL	603,948	142,884	218,118	205,503	37,443	438,441	131,628	176,063	126,936	3,814
1985 TOTAL	369,343	68,065	145,372	127,873	28,033	242,112	63,296	109,286	68,224	1,306
6 MONTHS										
1987	328,060	73,046	109,999	131,660	13,355	240,160	69,808	92,031	76,730	1,591
1986	248,756	57,049	90,082	87,261	14,364	178,259	52,855	72,808	51,248	1,348
1985	154,903	28,410	64,727	51,319	10,447	102,173	26,236	48,224	27,322	391
1984	150,034	29,686	64,836	47,948	7,564	104,770	27,730	48,992	27,645	403

LENDER ACTIVITY (Cont'd.)

LONG-TERM MORTGAGE LOANS CLOSED (Cont'd.)

(Dollars in millions)

YEAR AND MONTH	5+ UNITS					NONRESIDENTIAL				
	Total	Mtg. Bankers[1]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[1]	S&Ls	Banks[2]	Life Cos.
1987										
JAN	$2,878	$529	$1,340	$877	$132	$8,559	$428	$1,125	$5,832	$1,174
FEB	2,365	222	1,144	864	135	10,378	284	1,223	7,516	1,355
MAR	2,838	71	1,430	1,004	333	12,484	364	1,530	8,599	1,991
APR	3,858	60	1,404	2,118	276	11,100	476	1,756	7,170	1,698
MAY	2,771	60	1,520	762	379	12,645	232	1,480	9,119	1,814
JUN$_p$	**3,638**	**284**	**2,028**	**1,110**	**216**	**14,195**	**228**	**1,936**	**9,770**	**2,261**
6 MONTHS										
1987	18,540	1,226	8,918	6,925	1,471	69,360	2,012	9,050	48,005	10,293
1986	15,342	2,676	7,825	3,326	1,515	55,155	1,518	9,449	32,687	11,501
1985	11,538	1,210	6,654	2,808	866	41,192	964	9,849	21,189	9,190
1984	10,347	348	6,427	2,861	711	34,917	1,608	9,417	17,442	6,450

LONG-TERM COMMITMENT ACTIVITY

By Type of Institution

(Dollars in millions)

YEAR AND MONTH	ISSUED DURING MONTH					OUTSTANDING				
	Total	Mtg. Bankers[1]	S&Ls	Banks[2]	Life Cos.	Total	Mtg. Bankers[1]	S&Ls	Banks[2]	Life Cos.
1987										
JAN	$29,449	$7,044	$14,068	$6,674	$1,663	$126,761	$18,703	$50,462	$41,592	$16,004
FEB	39,626	10,941	16,795	9,599	2,291	139,734	20,664	51,689	51,115	16,266
MAR	48,099	12,078	22,955	9,974	3,092	137,064	20,110	53,750	47,213	15,991
APR	49,671	11,247	24,471	10,308	3,645	138,016	19,788	56,532	44,885	16,811
MAY	53,445	11,302	24,203	14,194	3,746	149,430	22,151	57,828	51,433	18,018
JUN$_p$	**46,879**	**6,429**	**24,594**	**13,252**	**2,604**	**137,128**	**14,507**	**56,330**	**49,077**	**17,214**
1986 TOTAL	527,397	128,480	231,915	127,902	39,100					
1985 TOTAL	324,089	59,551	170,755	61,311	32,472					
6 MONTHS										
1987	267,158	59,041	127,086	64,002	17,029					
1986	260,123	65,568	112,989	59,473	22,093					
1985	145,572	24,256	78,155	28,305	14,856					
1984	140,555	26,062	77,593	25,650	11,250					

MORTGAGE INSURANCE

(Units in thousands, Dollars in millions)

YEAR AND MONTH	APPLICATIONS RECEIVED (Units)				LOANS INSURED							
	Total	FHA[3]	VA	Private	Total		FHA		VA		Private	
					Units	Amt.	Units	Amt.	Units	Amt.	Units	Amt.
1987												
APR	262	142	41	79	235	15,768	150	8,947	41	3,021	44	3,800
MAY	261	149	38	74	238	15,838	157	9,265	36	2,622	45	3,951
JUN	240	121	43	76	226	15,565	127	7,566	47	3,424	52	4,575
JUL	192	117	37	67	n.a.	n.a.	123	7,341	41	2,979	52	4,566
AUG	n.a.	142	n.a.	57	n.a.	n.a.	150	8,902	n.a.	n.a.	46	3,957
SEP$_p$	**n.a.**	**99**	**n.a.**	**54**	**n.a.**	**n.a.**	**104**	**6,180**	**n.a.**	**n.a.**	**43**	**3,769**
1986 TOTAL	3,283	1,908	452	923	1,852	127,759	921	56,901	345	24,720	586	46,138
1985 TOTAL	2,194	902	251	1,041	1,333	87,485	410	23,964	192	13,046	731	50,475
9 MONTHS												
1987	n.a.	1,104	n.a.	571	n.a.	n.a.	1,163	68,657	n.a.	n.a.	395	34,329
1986	1,689	640	338	711	1,355	90,675	678	39,368	246	17,671	431	33,636
1985	1,275	287	173	815	997	63,267	313	16,651	132	8,896	552	37,720
1984	1,325	232	146	947	1,149	72,441	246	12,270	161	10,345	742	49,826

SECONDARY MARKET ACTIVITY

(Dollars in millions)

YEAR AND MONTH	FNMA Portfolio Comm.	FNMA Portfolio Purc.	FNMA Mortgage-Backed Securities Outstanding	FNMA Mortgage-Backed Securities Issued	FHLMC* Comm. to Sell	FHLMC* Comm. to Buy	FHLMC* Mtg. Purc.	FHLMC* Mtg. Sold	GNMA Pass-Through Securities Applications	GNMA Pass-Through Securities Issued
1987										
APR	$3,208	$2,118	$112,673	$6,997	$8,167	$12,965	$9,777	$9,852	$15,050	$11,934
MAY	1,726	1,718	116,861	7,086	6,730	5,170	7,996	7,768	10,220	8,367
JUN	1,745	1,690	121,270	6,648	6,781	6,309	7,864	7,436	14,077	8,440
JUL	2,373	1,569	125,461	5,842	5,521	2,715	7,252	6,825	7,594	8,807
AUG	2,276	1,613	127,881	3,997	4,462	4,452	5,031	4,721	6,533	8,245
SEP$_p$	**1,842**	**1,743**	**130,540**	**4,083**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**16,472**	**6,499**
1986 TOTAL	32,987	30,826	—	60,566	106,563	136,179	103,474	102,443	152,911	98,169
1985 TOTAL	20,225	19,848	—	23,649	44,025	56,689	44,012	41,454	64,360	45,868
9 MONTHS										
1987	17,834	14,209	—	50,335	57,303	61,918	63,225	61,806	106,420	83,344
1986	27,530	22,158	—	43,902	66,762	93,863	58,255	55,821	119,355	66,211
1985	15,437	16,458	—	15,587	27,988	31,569	26,802	24,088	46,014	30,303
1984	14,461	12,376	—	9,903	17,153	18,166	11,380	10,451	27,527	21,883

*Year-to-date totals are for eight months only.

INTEREST RATES AND YIELDS

1- to 4-UNIT MORTGAGES

YEAR AND MONTH	FHA OPINION SURVEY FHA New[4]	FHA OPINION SURVEY CONVENTIONAL New	FHA OPINION SURVEY CONVENTIONAL Existing	FHLBB SURVEY CONVENTIONAL New	FHLBB SURVEY CONVENTIONAL Existing	FNMA 1 Yr. ARM (1%/Yr.)	FNMA FRM Conv.
1987							
APR	10.02%	10.11%	10.14%	9.21%	9.09%	8.35%	9.655%
MAY	10.61	10.44	10.46	9.37	9.27	8.85	10.208
JUN	10.33	10.29	10.29	9.45	9.38	8.69	9.995
JUL	10.38	10.22	10.23	9.44	9.43	8.45	9.773
AUG	10.55	10.37	10.38	9.38	9.40	8.91	10.007
SEP$_p$	**10.71**	**10.86**	**10.87**	**9.37**	**9.25**	**9.43**	**10.643**

CURRENT SECONDARY MARKET YIELDS

SELECTED SECURITIES

YEAR AND MONTH	GNMA[6]	FNMA[6]	FHLMC[6]	A-Rated[7] Utility	U.S. Government 10-yr.	U.S. Government 26-wk.	Prime Comm. Paper 90-119 Days
1987							
MAY	9.76%	9.62%	9.59%	10.05%	8.61%	6.05%	6.93%
JUN	9.69	9.70	9.65	10.05	8.40	5.99	6.92
JUL	9.62	9.64	9.59	10.17	8.45	5.76	6.65
AUG	9.79	9.73	9.70	10.37	8.76	6.15	6.71
SEP	10.43	10.29	10.25	10.84	9.42	6.61	7.37
OCT	**10.64**	**10.61**	**10.57**	**11.07**	**9.52**	**6.69**	**7.38**

SPREADS (Basis Points)

YEAR AND MONTH	FHA New Minus A-Utility	GNMA Minus 10-Yr. Govt.	FNMA Minus 10-Yr. Govt.	FHLMC Minus 10-Yr. Govt.
1987				
MAY	56	115	101	98
JUN	28	129	130	125
JUL	21	117	119	114
AUG	18	103	97	94
SEP	−13	101	87	83
OCT	**n.a.**	**112**	**109**	**105**

NA—Not available; p—Preliminary

[1] From the National Association of Realtors "Existing Home Sales" series

[2] Mutual Savings Banks and Commercial Banks.

[3] FHA applications received includes the Direct Endorsement Program starting in 1984.

[4] Secondary market gross yields.

[5] Federal Home Loan Mortgage Corp. Existing Construction only.

[6] Securities for 0 to 30 day delivery.

[7] Prior to January 1984 this rate was for Aaa-rated New Issue Utility Bonds.

[8] Year-to-date seasonally adjusted series not calculated.

[9] 1985 data on mortgage bankers obtained from the HUD Survey of Mortgage Lending Activity.